

SB1731



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

SB1731

Introduced 2/15/2013, by Sen. William R. Haine

SYNOPSIS AS INTRODUCED:

215 ILCS 152/10
215 ILCS 152/15

Amends the Service Contract Act. Includes in certain conditions that a service contract provider must meet in order to issue, sell, or offer to sell a service contract in this State a requirement that the service contract provider shall pay, for the privilege of doing business in this State, a tax equal to 0.5% of the gross consideration received. Provides that the tax shall be remitted to the Director of Insurance in accordance with the provisions of the Illinois Insurance Code concerning the annual privilege tax payable by companies and makes a corresponding change.

LRB098 08753 RPM 38878 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Service Contract Act is amended by changing
5 Sections 10 and 15 as follows:

6 (215 ILCS 152/10)

7 Sec. 10. Exemptions. Service contract providers and
8 related service contract sellers and administrators complying
9 with this Act are not required to comply with and are not
10 subject to any provision of the Illinois Insurance Code, unless
11 otherwise provided in this Act. A service contract provider who
12 is the manufacturer or a wholly-owned subsidiary of the
13 manufacturer of the product or the builder, seller, or lessor
14 of the product that is the subject of the service contract is
15 required to comply only with Sections 30, 35, 45, and 50 of
16 this Act; except that, a service contract provider who sells a
17 motor vehicle, excluding a motorcycle as defined in Section
18 1-147 of the Illinois Vehicle Code, or who leases, but is not
19 the manufacturer of, the motor vehicle, excluding a motorcycle
20 as defined in Section 1-147 of the Illinois Vehicle Code, that
21 is the subject of the service contract must comply with this
22 Act in its entirety. Contracts for the repair and monitoring of
23 private alarm or private security systems regulated under the

1 Private Detective, Private Alarm, Private Security,
2 Fingerprint Vendor, and Locksmith Act of 2004 are not required
3 to comply with this Act and are not subject to any provision of
4 the Illinois Insurance Code.

5 (Source: P.A. 95-613, eff. 9-11-07.)

6 (215 ILCS 152/15)

7 Sec. 15. Financial requirements. No service contract shall
8 be issued, sold, or offered for sale in this State unless one
9 of the following conditions are satisfied:

10 (1) (A) The service contract provider is insured under a
11 service contract reimbursement insurance policy issued by
12 an insurer authorized to do business in this State and
13 providing that the insurer will pay to, or on behalf of,
14 the service contract provider all sums that the service
15 contract provider is legally obligated to pay according to
16 the service contract provider's contractual obligations
17 under the service contracts issued or sold by the service
18 contract provider;

19 (B) a true and correct copy of the service contract
20 reimbursement insurance policy has been filed with the
21 Director by the service contract provider;

22 (C) the service contract states that the obligations of
23 the service contract provider to the service contract
24 holder are covered under a service contract reimbursement
25 insurance policy; and

1 (D) the service contract states the name and address of
2 the issuer of the service contract reimbursement insurance
3 policy and states that in the event covered service is not
4 provided by the service contract provider within 60 days of
5 proof of loss by the service contract holder, the service
6 contract holder may file directly with the service contract
7 reimbursement insurance company.

8 (2) (A) The service contract provider maintains a funded
9 reserve account for its obligations under its service
10 contracts issued and outstanding in this State. The
11 reserves shall not be less than 40% of the gross
12 consideration received, less claims paid, for all service
13 contracts sold and then in force;

14 (B) the service contract provider places in trust with
15 the Director a financial security deposit, having a value
16 of not less than 5% of the gross consideration received,
17 less claims paid, for all service contracts sold and then
18 in force, but not less than \$25,000, consisting of
19 securities of the type eligible for deposit by authorized
20 insurers in this State ~~and;~~

21 (C) the service contract provider provides the
22 Director with an audited financial statement annually of
23 the service contract revenues and claims; and-

24 (D) the service contract provider shall pay, for the
25 privilege of doing business in this State, a tax equal to
26 0.5% of the gross consideration received; the tax shall be

1 remitted to the Director in accordance with the provisions
2 of Section 409 of the Illinois Insurance Code.

3 (3) (A) The service contract provider, or its parent
4 company in accordance with subdivision (3)(B), maintains a
5 net worth or stockholders' equity of \$100,000,000; ~~and~~

6 (B) the service contract provider provides the
7 Director with a copy of the service contract provider's or
8 the service contract provider's parent company's most
9 recent Form 10-K or Form 20-F filed with the Securities and
10 Exchange Commission within the last calendar year or, if
11 the service contract provider does not file with the
12 Securities and Exchange Commission, a copy of the service
13 contract provider's or the service contract provider's
14 parent company's audited financial statements that shows a
15 net worth of the service contract provider or its parent
16 company of at least \$100,000,000. If the service contract
17 provider's parent company's Form 10-K, Form 20-F, or
18 audited financial statements are filed to meet the service
19 provider's financial stability requirement, then the
20 parent company shall agree to guarantee the obligations of
21 the provider relating to service contracts issued by the
22 service contract provider in this State; ~~and-~~

23 (C) the service contract provider shall pay, for the
24 privilege of doing business in this State, a tax equal to
25 0.5% of the gross consideration received; the tax shall be
26 remitted to the Director in accordance with the provisions

1 of Section 409 of the Illinois Insurance Code.

2 (Source: P.A. 90-711, eff. 8-7-98.)